



**Request for City Council Committee Action
From the Department of**

Date July 25, 2003

To CM Dan Niziolek, Chair of Public Safety and Regulatory Services Committee

Referral to CM Barbara Johnson, Chair of Ways and Means

Subject

Adjustment of license fees to account for inflationary increase by 3%.

Recommendation

That action be taken to increase license fees to account for inflationary increases since the end of 2002 and to be reflected in 2004 license fees.

Previous Directives

The action reflects Minneapolis Ordinance 261.60 "to consider the adjustment of all license fees for the subsequent calendar year to reflect changes in administrative and enforcement costs in accordance with appropriate economic indicators as determined by the city council or committee."

Prepared or Submitted by James Moncur, Director

Licenses and Consumer Services 673-3847

Phil Schliesman, Inspector

Linda Roberts, Inspector

Presenters in Committee James Moncur, Director

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Financial Impact (Check those that apply)

☐ No financial impact - or - Action is within current department budget.

(If checked, go directly to Background/Supporting Information)

☐ Action requires an appropriation increase to the Capital Budget

☐ Action requires an appropriation increase to the Operating Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact (Explain): \$87,000 to \$125,000 in increased revenue is in the current budget projections.

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals - Five Year Plan

Comprehensive Plan

Zoning Code

Other

Background/Supporting Information

As part of the 2002 Budgetary process, the Department of Licenses and Consumer Services was directed to bring forth a proposal to adjust license fees for inflation on a yearly basis. The rationale was to adjust the fees each year, opposed to the sizeable increases as was done in previous years. This proposal was adopted by the City Council, enacted into ordinance, and remains the direction to staff.

The Minneapolis City Ordinances that Govern Fee Increases is as follows:
261.60 Annual fee adjustment. Prior to August 1 of each year, the appropriate committee of the city council shall conduct a hearing to consider the adjustment of all license fees for the subsequent calendar year to reflect changes in administrative and enforcement costs in accordance with appropriate economic indicators as determined by the city council or committee.

Below are the Minnesota State Statues that Govern Fee Increases.

Chapter Title: LICENSING FOOD HANDLERS

28A.075 Licensing Food Handlers

(c) A fee to recover the estimated costs of enforcement of this chapter must be established by ordinance and must be fair, reasonable, and proportionate to the actual cost of the licensing and inspection services. The fee must only be maintained and used for the estimated costs of enforcing this chapter.

Chapter Title: LIQUOR

340A.408 Retail license fees.

Subd. 3a. Fee increases; notice, hearing. No city, town, or county shall increase the fee for a liquor license governed by subdivision 1, 2, or 3, except after notice and hearing on the proposed increase. Notice of the proposed increase must be mailed to all affected licensees at least 30 days before the date set for hearing. This subdivision supersedes any inconsistent provision of law or charter.

INFLATION INDEXES

Inflation is measured through many indexes, but two are considered commonly known and relevant to this task:

License fees were last adjusted in 2002 to reflect inflationary erosion and increased City costs. The City Council approved a general increase of 2% at that time.¹

In 2002, the following has occurred:

- Regulatory Services staffing expenditures rose 3.1%²
- The National Gross Domestic Product for State and Local Government Expenditures has risen 2.8%³
- The Chain-Type Quantity Index for State and Local Governments has risen 2.8%³

¹ Excluded from increases at that time are fees for Taxi licenses and pet licenses, as well as some on and off-sale liquor licensing which are capped by state statute.

² Source: Comprehensive Annual Financial Report, 2002 City of Minneapolis.

³ Source: Bureau of Economic Analysis, June 2003

PROJECTED REVENUE

<u>Percentage fee increase</u>	<u>Additional Revenue</u>
2%	\$ 87,000.00
3%	\$125,000.00

RECOMMENDATION

That action be taken to increase license fees by 2% to 3% to account for inflationary increases since the end of 2002. This action follows the direction of Minneapolis Ordinance 261.60 Annual Fee Adjustment. "Prior to August 1 of each year, the appropriate committee of the city council shall conduct a hearing to consider the adjustment of all license fees for the subsequent calendar year to reflect changes in administrative and enforcement costs in accordance with appropriate economic indicators as determined by the city council or committee."
